USDA Air Quality Task Force
Maui, Hawaii
Sunday, November 13, 2005

Thomas C. Dorr
Under Secretary for Rural Development
Remarks

Thank you. It's a pleasure to be here, and I'm very glad the timing worked out. I have been on the road more-or-less continuously since being sworn in earlier this year, but this is the first opportunity I've had to come to Hawaii on business. It's great to be back.

Let me begin by stipulating what is probably obvious but still needs to be said. What you are doing -- the mission of this Air Quality Task Force -- is absolutely vital. I know you are all volunteers, and I thank you for taking the time to help the President, USDA and the nation in this effort.

It's important for the nation and for USDA for reasons you all know. But it's also important to us in USDA Rural Development for a very special reason.

USDA Rural Development's mission is to increase economic opportunity and improve the quality of life in rural communities. That's just as broad as it sounds.

To narrow it down a bit, we are an investment bank. Since 2001, we've invested over $63 billion and created or saved over 1.1 million jobs. We have a nearly $90 billion portfolio and we will invest nearly $17 billion in rural America this fiscal year.

Our job is to provide leadership, investment capital, and technical support to help rural communities leverage their assets and build a better future.

As we look for opportunities, one of the core comparative advantages enjoyed by rural communities is something I call "Place."

"Place" is the quality of life. It's peace and quiet, the absence of crime and congestion, lower living costs, lower taxes, a lower cost of doing business. It's clean air and water and room for your kids to explore.

For our purposes today, the important point is to recognize that these aren't just things to be sentimental about. They aren't just hypotheticals. They are real, tangible, very significant drivers of growth.

And what you are doing on this Task Force is helping create the conditions for cost efficient and socially responsible sustainable growth. The fact that rural areas have clean environments:

- **the fact that they can meet air and water quality standards,**
- **the fact that a region can accommodate production agriculture growth without bumping into a dozen extra layers of regulatory obstacles and costs,**
- **these things are <u>cash on the barrelhead considerations</u> for any business owner or executive evaluating a potential investment.**

Place is a real asset. Managing that asset for sustainable long term growth is a great responsibility, for us as it is for you. But it is a responsibility which producers have accepted forever – something that is overlooked.

Environmental protection is therefore an important part of our mission as well. This is an area where environmental progress and good business intersect. We invest to make that happen, and I'd like to talk briefly about some of the resources we bring to the table.

The most obvious, in terms of our traditional mission areas, are our water and wastewater programs. I will step lightly here since this is an Air Quality Task Force, but I do want to note in passing that we have been engaged in environmental engineering since the inception of our Water Program in 1937.

But our environmental mandate has broadened considerably since then. Renewable energy is America's newest cash crop. We are supporting renewables through our Section 9006 Program, the Business and Industry Guaranteed Loan Program, and the Value-Added Producer Grant Program.

These are top priorities. Ethanol heads the list. In 2004, 81 ethanol plants in 20 States produced a record 3.41 billion gallons of ethanol. That's up 20% over 2003 and 109% over 2000.

The 7.5 billion gallon Renewable Fuels Standard in the energy bill will keep that growth on track. So will the commercialization not too many years from now of cellulosic ethanol. And so will the price of gasoline. The barrier to renewable energy has always been price. $60 a barrel oil changes a lot of profitability calculations.

The ethanol breakthrough has almost unlimited potential for the grain belt -- higher commodity prices, a decentralized production network based on local sourcing, more good jobs in small towns.

But as you know, it also has significant air quality advantages. Ethanol contains 35% oxygen. It produces more complete combustion and reduces emissions. It is non-toxic, water soluble, and biodegradable. It displaces benzene and other more hazardous gasoline components.

The Argonne National Lab has calculated that a 10% ethanol blend reduces greenhouse gas emissions by 12-19% compared with conventional gasoline.

That means, in 2004, that ethanol use has already produced greenhouse gas reductions equal to removing one million cars from the road. That impact will continue to grow as the price of oil continues to drive the commercialization of alternatives.

Ethanol is just the start. Renewable energy includes biodiesel, direct combustion, anaerobic digesters, and landfill gas recovery. Geothermal and hydrogen projects are in the mix. Wind power is generating significant utility interest. Solar power is still relatively expensive-- but even solar power is becoming more and more common for remote applications.

For example, you had a presentation earlier about sugar cane burning. That's a big issue in Hawaii. But from our perspective, waste was an economic category long before it became an environmental concern.

Burning cane stalks is wasting a potential feedstock. We're investing in direct combustion projects in several places around the country, and in the long run, cellulosic ethanol may absorb plant waste across the spectrum. When that's ready, we'll invest to bring it on line.

We've also done three photovoltaic projects in the last three years right here in Hawaii.*

- *Luana Farm, Kona--$14,105. 5 kWh photovoltaic system to offset the energy usage of a small organic coffee farm.
- *Mt. Thunder Coffee Farm, Kona--$46,861. 20 kWh photovoltaic system to offset the energy usage of an organic coffee farm.
- *Puna Orchids Inc., Kapoho--$20,000. 8.64 kWh photovoltaic system to offset the energy usage of an orchid farm.
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In Minnesota, it's wind farms. In Iowa, it's digesters. All over the grain belt, it's ethanol. It's moving fast.

Bottom line, with $60 per barrel oil, we have a renewable energy gold rush on our hands. When the day finally comes that we're driving our cars with ethanol from the Midwest rather than oil from the Mideast, we will truly have turned a corner in more ways than one.

These are competitive, market-driven developments. The markets are telling us that alternative energy is ready. Investment is lifting off. This is good news for rural America, and for the country as a whole.

In conclusion, our point of entry on renewables is economic opportunity for rural America, but the environmental synergy is enormous.

We have made substantial progress. The U.S. economy is approximately twice as energy efficient today as it was in 1973, at the time of the first oil embargo.

In the same time period, we have made significant progress in air and water quality, while still growing the economy. It is a record of great achievement. All of us are committed to continuing that progress.

It is essential that both sides of the equation – economic opportunity and environmental protection – continue to work in harmony. I know that is your objective. It is ours as well, and we look forward to working with you in any way we can to get the job done. Thank you.